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- (2) Upper House election: 2 million leaflets distributed to rural villages by LDP and Minshuto to win votes

YOMIURI (Page 4) (Full)
June 19, 2007

Ahead of the House of Councillors election, the ruling and opposition parties are now paying close attention to agricultural villages.

On June 16, an overcast day, Prime Minister Shinzo Abe joined in planting rice seedlings in the paddies in Mikazuki Town, Ogi City, Saga Prefecture. Later, Abe stressed to a gathering of farmers and others involved in agriculture: "Since Japan is a country with paddies, I will protect our beautiful farming villages."

The ruling Liberal Democratic Party (LDP) will file for the first time persons recommended by JA (Japan Agricultural Cooperatives) as its candidates for the proportional representative segment in the upcoming House of Councillors election.

Abe's visit to an agricultural facility was a starter. He set out on May 19 a nationwide stumping tour for the Upper House election. He reportedly is determined to prevent Minshuto (Democratic Party of Japan) from winning over the agricultural vote that has traditionally gone to the LDP.

Minshuto President Ozawa, meanwhile, started stumping last year in electoral districts where single seats are up for grabs in the Upper House race. Ozawa has his own rice paddies in his home district of Oshu City in Iwate Prefecture. He markets a substantial amount of rice every year. He has capitalized on his knowledge of rice cultivation.

On April 18, visiting Ueki Town in Kumamoto Prefecture, Ozawa told about 50 people in the farming business, "Among my friends, I am known for my knowledge of agriculture. Let me hear your views."

One of the participants complained: "Japanese agriculture cannot beat US agriculture even if Japan expands the scale of its farm land." Ozawa threw in appropriate words: "In Japan the present agricultural policy of expanding the scale of farm land is meaningless."

The main feature of Minshuto's agricultural policy is to create an income compensation system for every farmer, through which the difference between production costs and market prices would be paid to farmers. The party calculates that 1 trillion yen would be

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needed. The LDP criticizes Minshuto's idea as a "waste of public funds," but Ozawa insists, "It is a necessary safety net."

Reportedly the largest opposition party has distributed more than 1 million copies of various fliers. One of the leaflets states: "If the LDP-led government continues in power, Japanese agriculture will be destroyed. Once Minshuto assumes the reins of government, Japanese farming will be revitalized."

A senior Minshuto member said enthusiastically: "The farm vote used to go automatically to the LDP. Our election strategy will be successful if those same farmers hesitate to vote for the LDP."

In a meeting of the LDP on May 25, concern about this strategy was expressed, with one participant saying, "Minshuto's views are becoming more prevalent in rural areas." The LDP's campaign pledges for the Upper House election include nurturing future farmers. The LDP distributed leaflets to its regional organizations rebutting Minshuto.

The leaflet states: "Minshuto's agricultural policy is wrong. It estimates that 1 trillion yen would be needed to fund an income compensation system for every farmer, but 2.5 trillion yen would be necessary." The LDP plans to make 1 million copies.

LDP lawmakers representing vested interests in agricultural affairs criticize also the government.

LDP Election Bureau chief Yoshio Yatsu, former agriculture minister, visited the Cabinet Office on June 6 and threatened Economic and Fiscal Policy Minister Hiroko Ota, saying:

"We cannot fight in the election since there is a big difference between the LDP's campaign pledges and the government's 'big-boned' economic reform policy guidelines on economic and financial management and structural reform."

In the process of coming up with the 'big-boned' reform guidelines, a member of the Council on Economic and Fiscal Policy coming from the private sector proposed a quick start of a joint Japan-US study of an economic partnership agreement (EPA). Yatsu and other

agricultural policy clique in the Diet were concerned that an EPA would have built up anxiety in farmers that they might be exposed to international competition.

As a result of rollback tactics by Yatsu and others, the draft 'big-boned' reform guidelines presented on June 12 included a portion that went no further than to state: "An EPA between Japan and the United States will be studied as an issue in the future."

Some in the LDP, however, worried that the public might see the Abe government weakening its reform effort.

JA or Zenchu held a convention on June 12 at Hibiya Public Hall. About 3,000 people took part in the event.

Zenchu Chairman Isamu Miyata expressed in a speech his mixed feelings toward the LDP, saying:

"A country that ignores farm villages is not a beautiful country. A policy decision that creates concerns for agricultural villages will have a negative effect on the Upper House election. We will never allow such a decision."

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(3) "Big-boned" economic guidelines for 2007 lack modulated measures

ASAHI (Page 2) (Abridged)
June 20, 2007/06/20

The Abe administration revealed its first set of guidelines for economic and fiscal policy for fiscal 2007, but the package lacks modulated measures. The Abe administration has been tied-down by the 2006 guidelines under the Koizumi administration, which proposed cutting spending. But many ruling party members are loudly calling for increasing outlays. Although it was a golden opportunity, in the run-up to the House of Councillors election in July, for Abe to demonstrate in the guidelines his original policy imprint in the educational and diplomatic areas, the guidelines just spotlighted the helplessness of the prime minister being bound by the Koizumi policy line.

Abe seized by Koizumi policy

Asked in a meeting of the House of Councillors' Education and Science Committee yesterday if the cabinet intends to increase or decrease the education budget, Prime Minister Abe made the following reply:

"Government agencies will submit their respective budgetary requests in the summer, and the compilation of a budget will start in the fall. In this process, you will see my cabinet's intention."

The Liberal Democratic Party (LDP) education policy clique in the Diet during the process of compiling the 2007 guidelines wondered whether the government would boost or trim the education budget.

In late May, former Prime Minister Mori told Deputy Chief Cabinet Secretary Hirofumi Shimomura, who was preparing to attend the G-8

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Summit in Germany: "Unless education policy is specified in the guidelines, there will be no need for you to return from the summit."

The draft guidelines, released around that time, did not mention anything about education policy. No reference to education in the final version would inevitably make it difficult to secure a larger budget for education policy.

On May 31, six senior politicians who had once served as education minister visited the Prime Minister's Official Residence (Kantei) and directly asked Prime Minister Abe to give education policy its rightful place in the 2007 economic policy guidelines. Their written request noted: "By sending a clear message through the 'big-boned'

policy guidelines, we want your administration to win a victory in the upcoming Upper House election."

But the prime minister "made no specific suggestion" according to one participant, but reportedly only nodded his head.

Although the final guideline incorporated "education rebuilding" as an independent item, it just noted: "The government will make efforts to improve efficiency and secure necessary budgetary allocations in a selective approach."

On the diplomatic front, as well, many officials requested an increase in budgetary allocations, in line with the prime minister's

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slogan, "proactive diplomacy." Former Foreign Minister Nobutaka Machimura visited the Kantei to explain the party's "action plan 10 to strengthen the nation's diplomatic capability." The action plan includes measures that require huge money, such as an expansion of diplomatic establishments overseas and improvement in the official development assistance program (ODA) both quantitatively and qualitatively. The 2007 guidelines, however, devoted only four lines to this challenge, such as "efforts to build up comprehensive diplomatic capabilities."

Bound by the 2006 guidelines and the Administrative Reform Promotion Law, the government failed to come up with a scenario to build a beautiful country. The prime minister said in a reply at the Upper House meeting yesterday: "The difficult task of fiscal reconstruction is on my shoulder. I will make efforts to secure a truly necessary amount of education budget. I want you to understand these words."

A number of government and ruling party members were dissatisfied with the Koizumi administration's spending-cuts policy. In a plenary meeting on June 13 of the LDP Policy Research Council, in which the draft 2007 economic policy guidelines were focused on, one participant suggested that the Administrative Reform Promotion Law (governing personnel spending cuts) should be reviewed.

Education Minister Ibuki also categorically said in the Upper House meeting yesterday: "A budget is to allocate money for all policies of the cabinet. If the cabinet is changed, primary items in the budget will naturally change."

Key lies in political strength after Upper House election

Minister in Charge of Economic and Fiscal Policy Ota, who chairs the Council on Economic and Fiscal Policy, met with numerous requests for a budgetary increase..

The panel initially aimed to reduce public works spending by 3 % , but it gave up specifying the goal in the 2007 policy guidelines in the face of objections from the ruling parties and the Land, Infrastructure and Transport Ministry. All she could do was to maintain the policy in the 2006 guidelines of reducing expenditures. She was overheard grumbling to her aides, "It is far more difficult than expected (to uphold the policy in 2006 guidelines)."

In exchange for upholding the spending-reduction policy, Ota accepted one request after another from the government and the ruling parties to have their measures to be included in the guidelines. As a result, the latest version runs to 52 pages.

A senior member of the Cabinet Office who engaged in drafting the 2007 guidelines said: "The prime minister desires to increase budgetary allocations for his priority policies." Since policymaking is carried over to such occasions as budgetary requests in the summer or budgetary compilation in year's end, the Kantei thinks that "it might be possible to make coordination in working out guidelines on budgetary requests if the administration maintains its political ground," as said by a Kantei official.

The question is whether the Abe administration will be able to keep its political strength. If the ruling parties, in the face of the pension issue backlash, lose the Upper House election, the prime

minister may lose his political ground. It remains to be seen whether the prime minister will be able to demonstrate his own

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policy imprint while dismissing inundated demands for budgetary increases, based on descriptions in the 2007 guidelines. Should the prime minister lose momentum, he might become unable to refuse requests.

The 2007 policy guidelines stipulate that discussion will start this fall on tax system reform, including a consumption tax hike. The government will consider the option of increasing taxes in mapping out a budget for next fiscal year, but if the administration sees its political strength weaken, it will become difficult for it to ask the people to shoulder a heavier burden. Everything hinges on the outcome of the Upper House election.

Main points in the 2007 economic policy guidelines

- ? Study creating a regional revitalization organ.
- ? Study future options for the distribution of subsidies for managing national university corporations.
- ? Try to reduce expenditures in fiscal 2008 as much as possible, as advised in the 2006 policy guidelines.
- ? Study the propriety of privatizing or entrusting to the private sector all independent administrative corporations.
- ? Study introducing a new tax to enable contributions to hometowns.
- ? Establish an accurate, effective clerical work operating system to deal with the pension problem.

(4) Three reasons for continuing weak yen against dollar and euro

YOMIURI (Page 9) (Full)
June 19, 2007

The yen alone is depreciating against other currencies on the foreign exchange market. It fell yesterday to a four and a half year low of 123 yen against the dollar, its value having dropped for six consecutive days. It also reset a new record low against the euro since the introduction of the currency in 1999, quoted at 165 yen. Behind the weak yen are such factors as: investors accelerating their moves to sell the low-interest yen with eye on differences in interest rates among the yen, the euro and the dollar; rising stock prices throughout the world; and individual investors buying foreign currencies. A weak yen is expected to play a certain role in keeping the Japanese economy on the recovery track, by boosting exports. However, there is also a possibility of its becoming a seed for future friction, such as trade disputes.

1. Differences in interest rates between Japan and foreign countries

Masaki Fukui of Mizuho Corporate Bank: "There is a speculation that differences in interest rates of Japan, the US and European countries will not narrow. For the time being, the market will move toward a 125 against the dollar level.

A major factor for the plunging value of the yen is the difference in interest rates in Japan and the US.

The European Central Bank (ECB) raised the euro's annual policy interest rate to 4 % on June 4. It is expected to hike the rate two more times within this year. The US economy is stronger than expected, ruling out the possibility of an interest rate cut. The dollar's annual policy interest rate will likely be kept at 5.25 % .

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Japan hiked its interest rate last July and this February, but its policy interest rate has been kept at 0.5 % , the lowest among industrialized countries. Bank of Japan (BOJ) Governor Toshihiko Fukui, who decided not to hike the interest rate at a meeting of the BOJ policy setting panel on June 15, checked an observation for an

early interest rate hike, which has given rise to the yen selling.

Even if the BOJ raises interest rates, the margin of a hike will likely be within 0.25 % . The policy interest rate will be raised only to 0.25 % a year. The pace of an interest rate hike thereafter is expected to be slow. The deep-seated view, therefore, is that differences in interest rates among Japan, the US and European countries will not quickly narrow.

12. Worldwide trend for high share prices

Osamu Takashima of Tokyo-Mitsubishi UFJ Bank: "If stock prices rise, investors' risk tolerating latitude would increase. Because of high stock prices throughout the world, there is an atmosphere of encouraging investors to sell yen and buy foreign currencies."

At the base of the weak-yen trend, which kicked in early in the new year, is the yen carry trade, meaning investing in foreign stocks, by selling yen borrowed at a low interest rate and then buying foreign currencies. Yen exchange has recently developed a trend of moving in the direction opposite to the moves of foreign stock markets, such as the New York Stock Market or the Shanghai Stock Market. Shanghai stocks plunged by about 8 % in only a week starting late February during a global stock market slump. However, the yen market shot up by about 6 yen to the dollar and about 8 yen to the euro. At present, stocks are being traded at high prices on the global market, raising expectations that the current high level will continue. However, the selloff of the yen is widespread. One reason for this seems to be investors with an increased investment capacity due to the high stock prices actively investing in foreign currency-denominated assets, which could yield high profits, instead of in yen-denominated assets.

13. Individual investors buying foreign currencies

Yu Sakaki, JP Morgan Chase & Co.: "Unlike institutional investors, who repeatedly buy and sell stocks over a short period of time, individual investors do not sell foreign currencies even if the value of the yen rises. Instead, they are increasingly buying more foreign currencies. It is individual investors that are contributing to the weak yen."

The moves of individual investors in the current weak-yen trend cannot be ignored. Judging that it would be difficult to make profits in investing their funds on the domestic market, as Japan employs ultra-low interest rates, individual investors are increasingly investing in investment trust funds that incorporate foreign stocks with high profit rates.

In the total net assets of equity investment trusts as of the end of May, the international stock-type funds totaling 8.598 trillion yen for the first time exceeded domestic stock-type funds worth 7.7847 trillion yen. Investing in international stock-type funds means Japanese investors selling yen and buying foreign currency -- a practice that leads to a weaker yen. Since individual investors are expected to buy more foreign currencies with bonus payment time just ahead, further pressure to drive down the value of the yen could build.

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Boost for interest rate hike

The continuing weak-yen trend will likely boost the BOJ's plan to raise interest rates at an early date.

Overt criticism of the weak yen has not been voiced in the international community since the meeting of finance ministers and central bank governors of Group of Seven industrialized powers held in Germany in February. However, a view that behind the recovery of Japanese products' competitiveness is the weak yen is lingering mainly among European and US automakers. They may lay blame with the BOJ's ultra-low interest rate, which is the cause of the weak yen, depending on the development of the US and European economies. Governor Fukui during a press conference held after a BOJ policy-setting meeting in February, where he decided on an

additional hike in interest rates, expressed concern about an excessively weak yen. He pointed out that lopsided moves on the financial fund market, including foreign exchange, stemming from yen carry trade would have an adverse effect on the state of the economy and prices. Market players are paying attention to how the continuing weak yen trend might affect the BOJ's decision to hike interest rates.

(5) Is Akie Abe the LDP's "secret weapon"? "Akkie" speaks about her life as the wife of the prime minister

MAINICHI (Page 2) (Abridged)
Evening, June 18, 2007

Akie Abe, 45, nicknamed "Akkie," is the wife of Prime Minister Shinzo Abe. Over the last nine months since becoming Japan's First Lady, she has traveled around Japan and different parts of the world. She even has her own blog to let the public know about what she is up to. She has the potential of becoming a "secret weapon" for the Liberal Democratic Party, which has been drawing fire from the public ahead of the upcoming House of Councillors election.

Akie showed up at the Asahi Shimbun head office on the morning when the rainy season started in Yamaguchi Prefecture, Prime Minister Abe's home turf. Perfectly postured, she was wearing a blue-and-white gingham check suit and pearl earrings and carrying a white handbag. She looked impressive.

Like her husband, Akie made her diplomatic debut at a G-8 summit, held this year on June 6-8 in the German seaside resort of Heiligendamm. While the principles were engaged in heated debates on global warming and other pressing issues, their spouses attended special events, such as a seminar on current affairs, a visit to a church, and exchanges with high school students.

"I was very nervous during the first dinner party. On my right was Canadian Prime Minister Stephen Harper and on my left was Cecilia, the wife of French President Nicolas Sarkozy. It was the first event for both Mrs. Sarkozy and me, but unlike myself, Mrs. Sarkozy was outgoing and talkative. So I invited her to come to Japan."

Like their husbands, the first ladies of other countries demonstrated their presence and that seems to have overwhelmed Akie, though she is regarded as outgoing in Japan.

"Cherie, the wife of British Prime Minister Tony Blair, encouraged me, saying, 'You are doing just fine. Don't be so tense.' I was glad

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to hear it and see her for the first time since January. The mood was amicable and enjoyable from the second day on, quite different from the G-8 summit talks."

In next year's G-8 Summit in Lake Toya, Hokkaido, she is expected to play a central role in making arrangement for dinner parties and other events as the hostess. She seems to have taken part in the events in Heiligendamm, while envisaging how she would handle her role next year. But Akie said laughingly: "Nobody knows if my husband will be still prime minister at that point."

It is no laughing matter, however. The ratings for the Abe cabinet have been plummeting in the polls due to the pension fiasco and other issues. But Akie nonchalantly answered a question on a topic that might throw Japanese politics into chaos at one stroke.

She seems to have the ability to lighten up even on a matter that worries everyone in the capitol district of Nagatacho. She continued:

"I don't want to hear people say, 'Are you thinking of such an event even when the Upper House election is drawing close.' I would be lying if I said, 'I am not thinking of next year's summit at all.' The events I attended gave me many good ideas that I can probably use in hosting programs for the spouses next year. But for now, the election is most important."

Akie was born in June 1962 as the eldest daughter of Akio Matsuzaki, former president of Morinaga & Co., one of Japan's largest confectionery. She worked for Dentsu Inc., the world's largest advertising agency, after graduating from Sacred Heart Professional Training College. In June 1987, she married Shinzo Abe, with whom she became acquainted through her supervisor at Dentsu.

Her husband was first elected to the House of Representatives in July 1993. Requests for her appearance in her husband's home turf have grown as her husband has climbed up the political ladder. But it must not have occurred to her that she would one day become the nation's First Lady.

"I'm still not used to being called 'First Lady.' Nevertheless, I think I have more responsibility now and am often called out by people because I've got a lot of media exposure, so things are not quite the same as before. Although my husband has become prime minister, my feelings and lifestyle haven't changed much."

Akie describes the Abe family as ordinary. The couple's dog Roy, a miniature Dachshund, awaits them at their private residence in Tokyo. Prime Minister Abe leaves home for work in the morning after drinking a glass of mixed fruit and vegetable juice prepared by Akie.

"At home, my husband watches videos and news on television quite often. I sometimes feel my husband is under a lot of pressure as prime minister."

She scans newspapers and magazine articles as the wife of prime minister. What does she think about the media's criticism of her husband's policies and remarks?

"I'm not really comfortable with it. Then again, being in the position, such cannot be helped. I've been trying very hard not to read unpleasant articles."

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Akie is also known for her active involvement in exchanges. She is engaged in volunteer activities to build schools in Burma. It all started with the volunteer spirit she picked up while at Sacred Heart.

In May, she visited a volunteer facility in Kamagasaki in Osaka's Nishinari Ward, a district known for day laborers. The day's experience produced the following entry in her blog:

"One child carried me on his back and another asked me for a piggyback. They all looked innocent and cheerful on the surface, but I wondered what was really in their hearts. The thought made me a little sad."

The Abes have no children. The couple revealed in interviews to BBC and a contribution to a monthly magazine that they had undergone fertility treatment and had discussed adopting children. Akie describes children's facilities as places where she can be herself. She hopes for educational reform not as the wife of prime minister but as a private citizen.

"I have never made any policy requests to my husband. Nothing will change unless education changes. Education needs speedy reform."

Education reform plans as introduced by Abe have drawn a strong backlash from the public. Akie's simple standpoint sounded much more convincing than those of lawmakers. The LDP is expected to ask Akie to stump for its candidates at various parts of Japan as its "secret weapon" in the upcoming Upper House election.

"I'm willing to stump for anyone if I can be of any help. The problem is that I'm not much of a public speaker. I easily feel pressure that I must not create problems for anyone. You know, some people are waiting for me to make a blunder."

Akie was carefree to the end as if trying to sweep away the storm of criticism of her husband.

